

PUBLIC DISCLOSURE

AUGUST 7, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UNIVERSITY CREDIT UNION

846 COMMONWEALTH AVENUE
BOSTON, MA 02215

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of</p>

Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of University Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

This examination was conducted utilizing three of the performance criteria under the small institution examination procedures including the Average Loan to Share Ratio, Lending to Borrowers of Different Incomes, and Fair Lending. University Credit Union identifies its membership by affiliation rather than geography. As such, the two geographically based criteria were not considered for this examination.

The credit union's average net loan-to-share ratio during the current examination period was determined to be 90.9%. This ratio exceeded satisfactory performance given the credit union's asset size and the competitive environment in which it operates.

A review of a sample of the credit union's consumer and home equity loan portfolio from January 1, 1998 through August 7, 2000 was completed during the examination. The analysis revealed that the distribution of loans to members of different income levels, particularly to those of low and moderate-income levels, was adequate and therefore meets the standards for satisfactory performance.

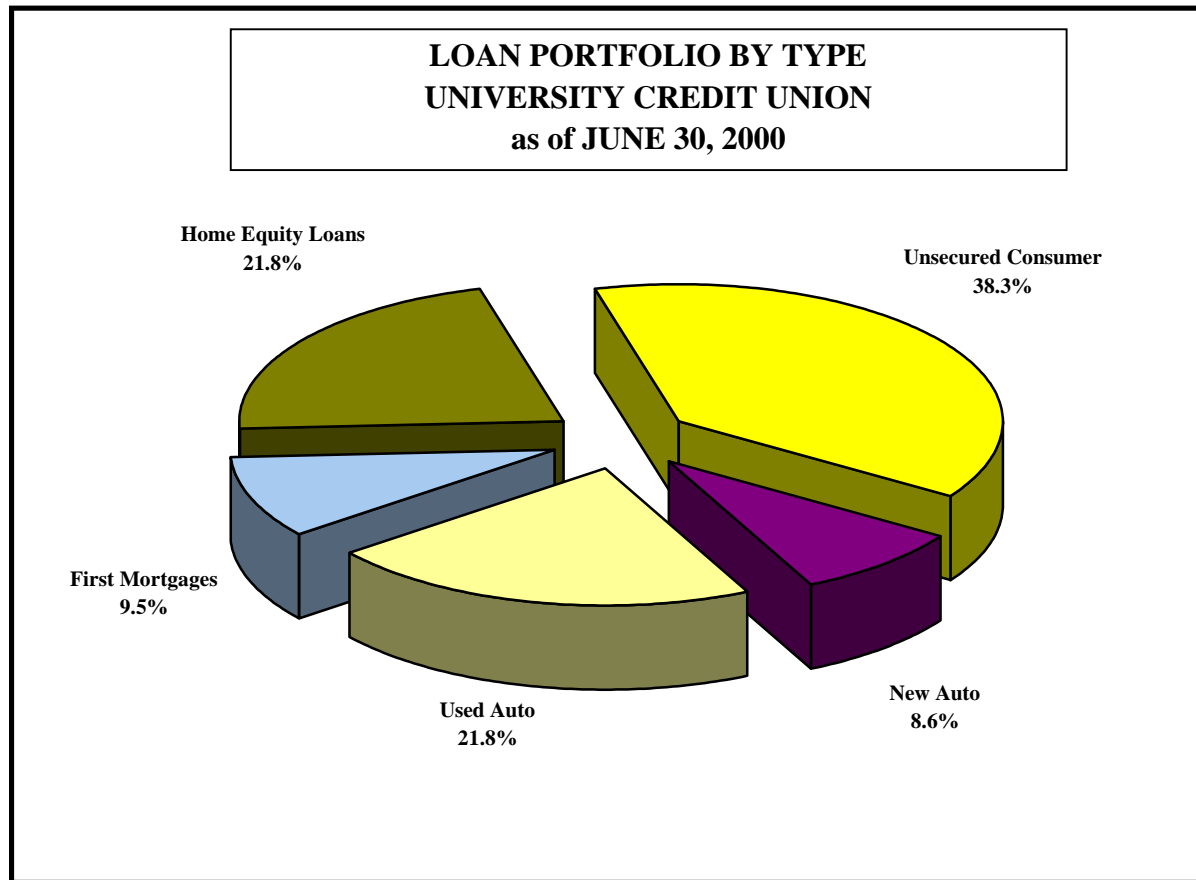
A review of the credit union's fair lending activity for 1998, 1999 and Y-T-D 2000 (through August 7, 2000) was conducted during the examination. Based on the analysis of the information and documentation provided, the credit union meets the standards for a satisfactory performance rating in Fair Lending.

PERFORMANCE CONTEXT

Description of Institution

University Credit Union (UCU) was chartered by the Commonwealth of Massachusetts in May 1952. The credit union was established to meet the credit needs of employees of a number of educational institutions, including Boston University, Bentley College and Boston College, as well as other non-profit organizations within the Boston area. As of June 30, 2000, the credit union had assets of \$34,180,032. Loans comprised 77.3% of all assets, or \$26,420,835. The loan portfolio is comprised of residential real estate loans, personal loans, new auto loans, used auto loans and lines of credit. Currently, the highest percentage of the credit union's loan portfolio consists of unsecured consumer loans at 38.3%, followed by new and used auto loans at 30.4%, and home equity loans secured by real estate at 21.8%. The remaining loan portfolio consists of first mortgages.

The following chart illustrates the composition of the loan portfolio.



The credit union's main office is located at 846 Commonwealth Avenue, Boston. In addition, the credit union operates a limited service branch at the Boston University Medical Center building located at University Hospital in Boston. Main Office hours are from 8:30 AM to 4:00 PM Monday, Tuesday and Friday, and 8:30 AM to 2:00 PM on Wednesday. The credit union's hours are extended until 6:00 PM on Thursday Evenings. The branch office is open from 9:00 AM to 4:00 PM on Tuesday and Friday. An Automated Teller Machine (ATM) is available at the main office during business hours. Also, credit union members have 24-hour account access via an 800 telephone number.

The credit union's office locations and banking hours are considered convenient and accessible to its members.

The credit union does not originate residential mortgages. Instead, credit union members interested in obtaining mortgages are referred to Constitution Financial Group, Inc. Daily rate sheets may be obtained at the credit union's office.

Other than the credit union's small size and resource limitations, there appears to be no significant financial or legal impediments, which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks, on March 23, 1998. That examination resulted in a satisfactory rating.

Description of Assessment Area (Membership)

University Credit Union defines its assessment area as its membership, in accordance with Massachusetts CRA Regulation, 209 CMR 46.41(8), which states a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area.

The credit union's membership (per its bylaws) is limited to those who are current employees or retirees of the following institutions: Bentley College, Berklee College of Music, Boston College, Boston Medical Center, Boston University, Children's Services of Roxbury, Crittendon Hastings House, Educational Development Center, Evans Medical Group, Lesley College, MSPCA, Morgan Memorial Goodwill Industries, Inc. Newbury College, New England School of Law, Perkins School for the Blind, Planned Parenthood, Roxbury Comprehensive Community Healthcare, Suffolk University, Tufts University, and Vinfen Corporation. Family members are also eligible for membership. In addition, regular employees of the credit union, and their families are also eligible for membership. Currently, the credit union has approximately 10,000 members.

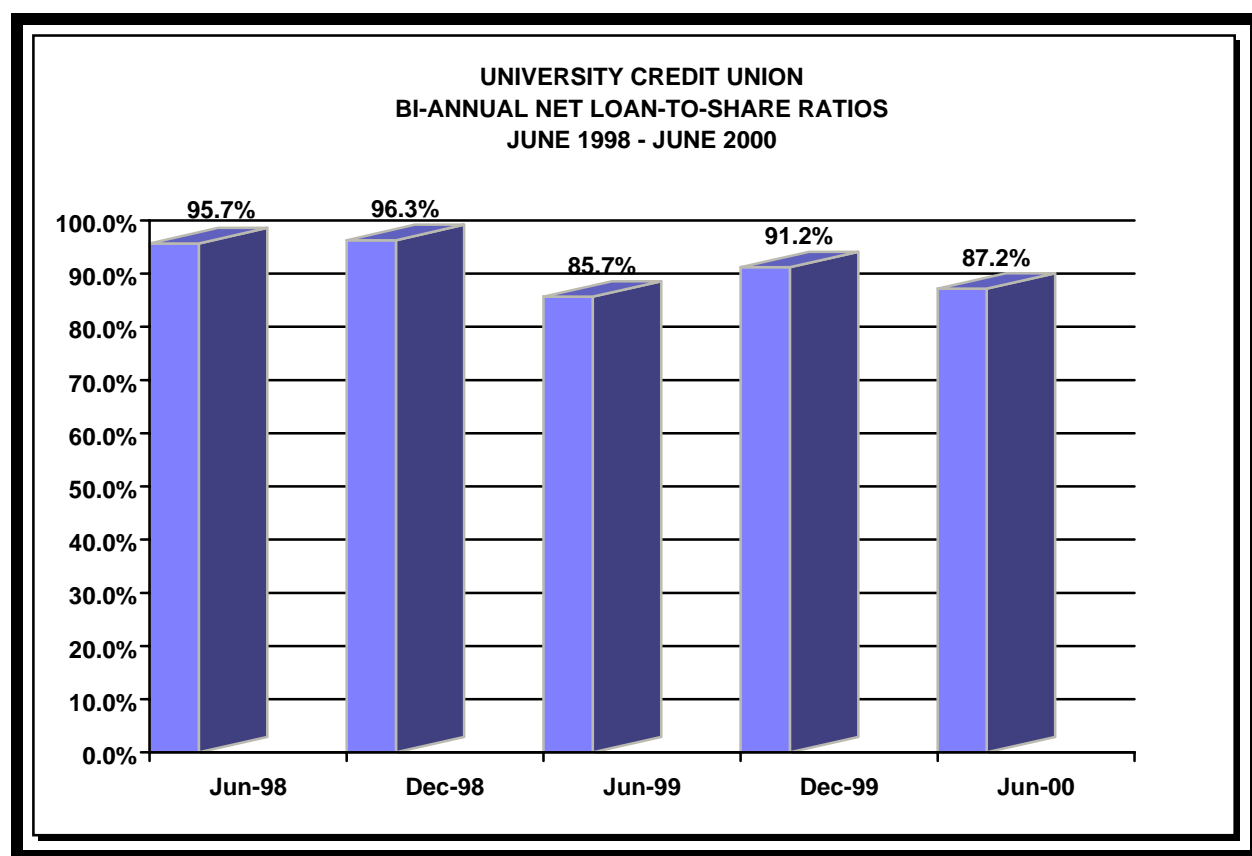
PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of University Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated five semi-annual periods of the credit union's net loan to total share figures utilizing the NCUA (National Credit Union Administration) 5300 call reports. The ratio is based on the loan amount net of the allowance for loan and lease losses as a percentage of total shares and deposits. This review included the periods ending June 30, 1998, through June 30, 2000.

The institution's average net loan-to-share ratio during this period was determined to be 90.9%.

The following graph illustrates the loan-to-share trends.

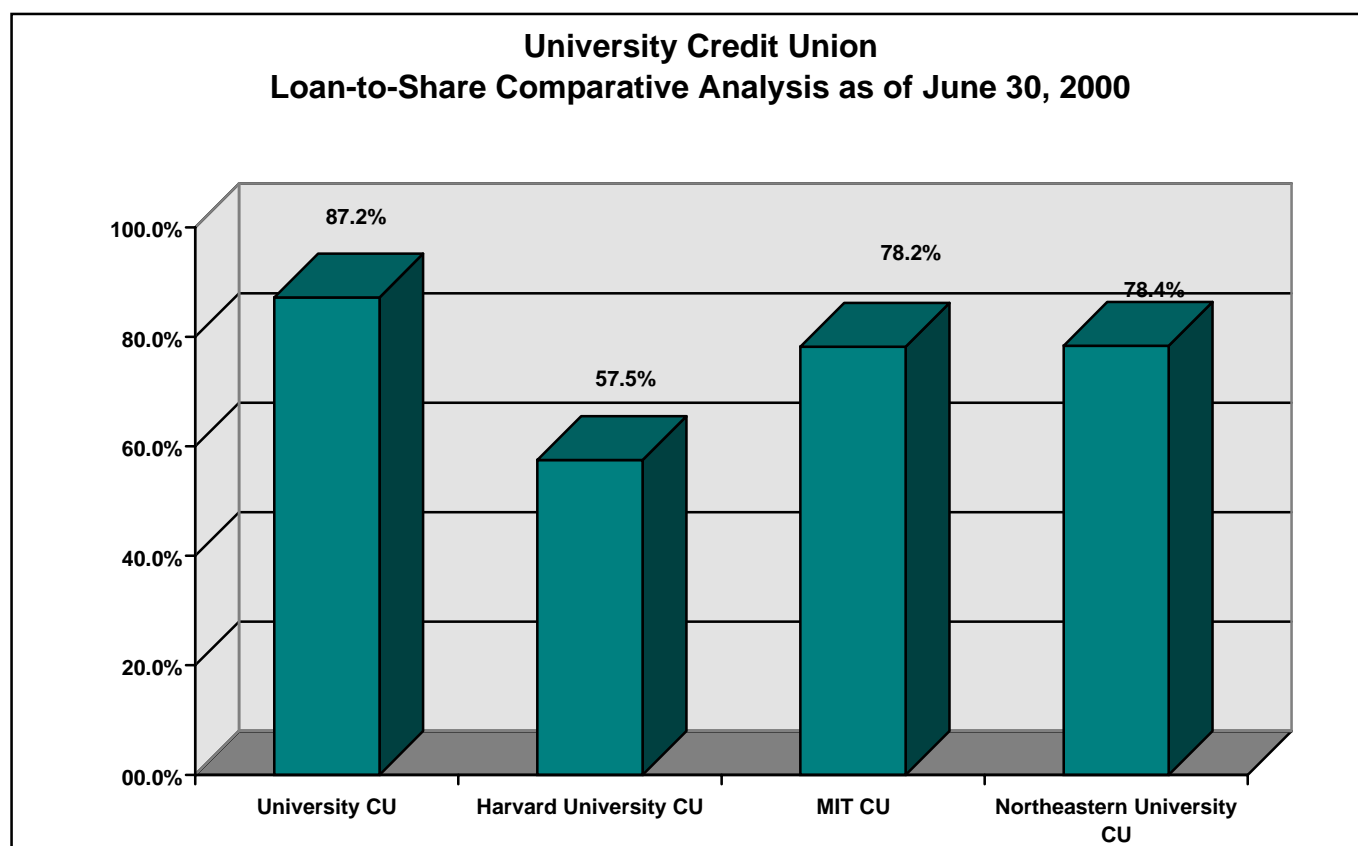


Source: NCUA 5300 Call Reports

The credit union's net loans to share ratios appear to fluctuate over the current examination period. The credit union's lending activity, as a percentage of deposits, was high. Further analysis revealed that the credit union's share balances grew by 21.9 percent, while its lending increased by 11.6 percent for the period reviewed. The share balance increase is attributed to a promotion beginning in 1999 when "Debit Cards"

were introduced. Management stated that the membership showed an overwhelming interest, which resulted in a substantial influx of share funds.

The loan to share ratio of University Credit Union was compared to the ratios of other institutions of similar type as of June 30, 2000. The following graph illustrates the loan-to-share trends for comparable institutions.



As the above graph indicates, the University Credit Union's loan-to-share ratio at 87.2% is relatively higher than that of the other industrial credit unions considered. Based on the information reviewed, the credit union was found to exceed the standards for satisfactory performance under this criterion.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the revised CRA regulation, 209 CMR, section 46.41, a credit union's whose membership by-law provisions are not based on geography may define its assessment area as its membership, as opposed to a geographic area. As University Credit Union defines its assessment area in this manner an evaluation of credit extended inside and

outside of the assessment area was not conducted, as such an analysis would not be meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of a sample of consumer and home equity loans extended to the credit union's membership according to various income levels was conducted. All loans included in the loan samples were originated within the Boston Metropolitan Statistical Area (MSA). Originations were categorized by the ratio of the applicant's reported incomes to the 1998, 1999 and 2000 estimated median family incomes of the Boston MSA. The median family income of the Boston MSA was \$60,000 for 1998, \$62,700 for 1999 and \$65,500 for 2000. Income figures were based on estimated 1998, 1999, and 2000 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median family income level for the MSA. Upper income is defined as income greater than 120 percent of the median family income level for the MSA.

CONSUMER LENDING

A sample of 124 consumer loans or approximately 10.0% of all consumer loans originated in 1998, 1999 and year-to-date 2000 were analyzed to determine the level of lending by borrower income.

According to this analysis 39 or 31.4% of the credit union's consumer loans were granted to low-income individuals and 36 or 29.0% were granted to moderate-income borrowers. By dollar volume, 28.8% or \$282,000 was granted to moderate-income individuals, and 22.5% or \$220,000 was granted to low-income borrowers.

Refer to the following tables.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
<50%	10	21.7	15	33.3	14	42.5	39	31.5
50% - 79%	13	28.3	15	33.3	8	24.2	36	29.0
80% - 119%	10	21.7	13	28.9	8	24.2	31	25.0
120% >	13	28.3	2	4.5	3	9.1	18	14.5
TOTAL	46	100%	45	100%	33	100%	124	100%

Source: in-house files

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	57	13.5	70	22.1	93	38.6	220	22.5
50% - 79%	104	24.6	120	38.0	58	24.1	282	28.8
80% - 119%	81	19.2	102	32.3	72	29.9	255	26.0
120% >	180	42.7	24	7.6	18	7.4	222	22.7
TOTAL	422	100%	316	100%	241	100%	979	100%

Source: in-house files

RESIDENTIAL REAL ESTATE

Due to the small number of residential mortgage originations, an analysis was not conducted. All residential mortgage borrowers are generally referred to Constitution Financial Mortgage Company.

HOME EQUITY LENDING

A sample of 60 loans or approximately 10.0% of the home equity loan portfolio was analyzed to determine the level of lending by borrower income.

According to this analysis 36 loans or 60.0% of the home equity loan sample was granted to upper-income borrowers; while 12 loans or 20.0% were granted to middle-income borrowers. Moderate-and low-income borrowers received 13.3% and 6.7 % respectively of the home equity loans in the sample

By dollar volume, 68.6% or \$1,294,000 of home equity loans were granted to upper-income individuals, 15.8% or \$298,000.00 were made to middle-income borrowers, and 15.6% or \$294,000 was made to low to moderate-income borrowers.

Refer to the following tables.

HOME EQUITY LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	4.5	1	4.1	2	14.3	4	6.7
50% - 79%	2	9.1	4	16.7	2	14.3	8	13.3
80% - 119%	6	27.3	4	16.7	2	14.3	12	20.0
120% >	13	59.1	15	62.5	8	57.1	36	60.0
TOTAL	22	100%	24	100%	14	100%	60	100%

Source: in-house files.

**HOME EQUITY LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	\$000	%	\$000	%	\$000	%	\$000	%
<50%	20	3.2	6	0.8	31	7.2	57	3.0
50% - 79%	90	14.5	117	14.1	30	6.8	237	12.6
80% - 119%	131	21.1	102	12.3	65	14.9	298	15.8
120% >	381	61.2	603	72.8	310	71.1	1,294	68.6
TOTAL	622	100%	828	100%	436	100%	1,886	100%

Source: in-house files

The credit union has shown a willingness to lend to applicants all income levels. The distribution of credit among borrowers, given the characteristics of the credit union's membership and the above information, reflects an adequate dispersion among individuals

of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

As mentioned previously, since the University Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS

University Credit Union has not received any complaints related to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union has a formal Fair Lending Policy, which was most recently voted on in January 2000. The policy addresses the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy.

STAFF TRAINING

The credit union staff receives training in subjects including new regulations and compliance issues, legal issues, lending, marketing and customer service skills. Credit union management and staff attended several CRA related seminars during the current examination period including such topics as "Lending Summit Seminar" and "Loan Compliance and Regulation Updates".

STAFF COMPOSITION AND COMPENSATION

As of August 7, 2000, the credit union had a total of 13 full time employees and 5 part time employees. Four employees are minorities and three employees are bilingual.

Loans are originated by loan officers. Loan officers are paid a salary rather than on commission and therefore are encouraged to make loans of all amounts.

OUTREACH

All of the credit union personnel contribute to the institution's understanding of local credit needs through their involvement in various affiliate institutional events, frequent contact with members and personal knowledge from past or present educational, employment or residential experience in the communities served by the credit union. In

addition, management is responsible for ongoing contact with community leaders in an effort to continuously assess and meet the credit needs of its membership.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union does not offer any specific products which feature flexible underwriting criteria.

Since all of the credit union's mortgage loans are originated through its relationship with Constitution Financial Group, mortgages are subject to standard secondary market ratios and are reviewed and approved by an outside underwriter.

MARKETING

The credit union advertises in its newsletter, "Savings Sense", which is sent to all its members on a quarterly basis. Direct mailing and promotions in its lobbies are also used in the credit union's marketing efforts. The credit union also sponsors a "Meet Your Credit Union Day", where members are introduced to ongoing and new services and products.

CREDIT EDUCATION

The credit union occasionally elects to sponsor member credit education programs to keep its members informed about the types of credit generally available, the application process and the underwriting process.

COUNSELLING

The credit union's staff provides information and the addresses of credit counseling agencies to denied applicants. Members are also given information as to how to obtain their credit history from the credit reporting agencies.

SECOND REVIEW PRACTICES

All approved and denied applications are reviewed by management and the credit committee to ensure fair and consistent loan practices are employed.

INTERNAL CONTROL PROCEDURES

The President, Senior Vice President and Compliance Officer are responsible for conducting regular reviews for compliance with applicable statutes and regulations on ECOA, CRA and Fair Lending.

The Credit Union management ensures that all members are treated fairly and that no discriminatory or illegal credit practices are occurring.

CONCLUSION

Based on the foregoing information, the credit union meets the standards for satisfactory performance in Fair Lending activity.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

UNIVERSITY CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 7, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.